

Union Calendar No. 885

83D CONGRESS
2D SESSION

S. 3681

[Report No. 2579]

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 1954

Referred to the Committee on Post Office and Civil Service

JULY 30, 1954

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

AN ACT

To authorize the Civil Service Commission to make available
group life insurance for civilian officers and employees in the
Federal service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Federal Employees'
4 Group Life Insurance Act of 1954."

5 SEC. 2. (a) Except as provided in (b) of this section,
6 each appointive or elective officer or employee (hereinafter
7 called employee) in or under the executive, judicial, or legis-
8 lative branch of the United States Government, including
9 a Government owned or controlled corporation (but not in-

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1 cluding any corporation under the supervision of the Farm
2 Credit Administration of which corporation any member of
3 the board of directors is elected or appointed by private in-
4 terests), and of the municipal government of the District of
5 Columbia shall, at such time and under such conditions of
6 eligibility as the Civil Service Commission (hereinafter
7 called the Commission) may by regulation prescribe, come
8 within the purview of this Act. Such regulations may pro-
9 vide for the exclusion of employees on the basis of the nature
10 and type of employment or conditions pertaining thereto
11 such as, but not limited to, short term appointments, seasonal
12 or intermittent employment, part-time employment, and
13 employment of like nature, and shall be issued only after
14 consultation with the head of the department, establishment,
15 agency, or other employing authority concerned: *Provided*,
16 That no employee or group of employees shall be excluded
17 solely on the basis of the hazardous nature of employment.

18 (b) This Act shall not apply to noncitizen employees
19 whose permanent duty station is located outside a State of
20 the United States or the District of Columbia, nor shall it
21 apply to commissioned officers and enlisted personnel on ac-
22 tive duty in or with the Army, Navy, Air Force, Marine
23 Corps, or Coast Guard of the United States, who have
24 indemnity coverage under the Servicemen's Indemnity Act
25 of 1951 (65 Stat. 33).

1 SEC. 3. (a) Each employee to whom this Act applies
 2 shall be eligible to be insured for an amount of group life
 3 insurance approximating his annual compensation not ex-
 4 ceeding \$20,000 plus an equal amount of group accidental
 5 death and dismemberment insurance, in accordance with the
 6 following schedule:

If annual compensation is—		The amount of group life insurance shall be—	The amount of group accidental death and dismemberment insurance shall be—
Greater than	But not greater than		
0	\$1,000	\$1,000	\$1,000
\$1,000	2,000	2,000	2,000
2,000	3,000	3,000	3,000
3,000	4,000	4,000	4,000
4,000	5,000	5,000	5,000
5,000	6,000	6,000	6,000
6,000	7,000	7,000	7,000
7,000	8,000	8,000	8,000
8,000	9,000	9,000	9,000
9,000	10,000	10,000	10,000
10,000	11,000	11,000	11,000
11,000	12,000	12,000	12,000
12,000	13,000	13,000	13,000
13,000	14,000	14,000	14,000
14,000	15,000	15,000	15,000
15,000	16,000	16,000	16,000
16,000	17,000	17,000	17,000
17,000	18,000	18,000	18,000
18,000	19,000	19,000	19,000
19,000	-----	20,000	20,000

7 (b) Subject to the conditions and limitations of the
 8 policy or policies purchased by the Commission under this
 9 Act, as may be approved by the Commission, the group
 10 accidental death and dismemberment insurance shall provide
 11 payments as follows:

Loss	Amount payable
For loss of life.	Full amount shown in the schedule in (a) of this section.
Loss of one hand or of one foot or loss of sight of one eye.	One-half the amount shown in the schedule in (a) of this section.
Loss of two or more such members.	Full amount shown in the schedule in (a) of this section.

1 For any one accident the aggregate amount of group acci-
2 dental death and dismemberment insurance that may be paid
3 shall not exceed the amount shown in the schedule in (a)
4 of this section.

5 (c) The Commission shall by regulation provide for the
6 conversion of other than annual rates of compensation to an
7 annual basis, and shall further specify the types of compensa-
8 tion to be included in annual compensation.

9 (d) Each of such amounts of insurance shall be reduced
10 by 2 per centum thereof at the end of each full calendar
11 month following the date the employee attains age sixty-five,
12 subject to minimum amounts prescribed by the Commission,
13 but not less than 25 per centum of the insurance in force
14 immediately preceding the first reduction provided herein:
15 *Provided*, That the amounts of insurance in force from time
16 to time on an employee who becomes insured under this Act
17 after having attained the age of sixty-five shall be the same as
18 would be in force had he been insured at age sixty-five, and
19 shall be based on the lesser of his annual compensation (1)
20 at the time he becomes so insured, or (2) at age sixty-five,
21 provided he was eligible at that time to be insured under
22 this Act.

23 SEC. 4. Any amount of group life insurance and group
24 accidental death insurance in force on any employee at the
25 date of his death shall be paid, upon the establishment of a

- 1 valid claim therefor, to the person or persons surviving at the
- 2 date of his death, in the following order of precedence:
- 3 First, to the beneficiary or beneficiaries as the employee
- 4 may have designated by a writing received in the employing
- 5 office prior to death;
- 6 Second, if there be no such beneficiary, to the widow
- 7 or widower of such employee;
- 8 Third, if none of the above, to the child or children
- 9 of such employee and descendants of deceased children by
- 10 representation;
- 11 Fourth, if none of the above, to the parents of such em-
- 12 ployee or the survivor of them;
- 13 Fifth, if none of the above, to the duly appointed execu-
- 14 tor or administrator of the estate of such employee;
- 15 Sixth, if none of the above, to other next of kin of such
- 16 employee entitled under the laws of domicile of such em-
- 17 ployee at the time of his death.
- 18 If any person otherwise entitled to payment under this
- 19 section does not make claim therefor within one year after
- 20 the death of the employee, or if payment to such person
- 21 within that period is prohibited by Federal statute or regula-
- 22 tion, payment may be made in the order of precedence as
- 23 if such person had predeceased the employee, and any such
- 24 payment shall be a bar to recovery by any other person.
- 25 SEC. 5. (a) During any period in which an employee

1 under age sixty-five is insured under a policy of insurance
2 purchased by the Commission as authorized in section 7 of
3 this Act, there shall be withheld from each salary payment
4 of such employee, as his share of the cost of his group life and
5 accidental death and dismemberment insurance, an amount
6 determined by the Commission, but not to exceed the rate of
7 25 cents biweekly for each \$1,000 of his group life insurance:
8 *Provided*, That an employee who is paid on other than a
9 biweekly basis shall have an amount so withheld, determined
10 at a proportionate rate, which rate shall be adjusted to the
11 nearest cent.

12 Any policy of insurance purchased by the Commission as
13 authorized in section 7 of this Act shall provide that all em-
14 ployees eligible under the terms of this Act will be auto-
15 matically insured thereunder commencing on the date they
16 first become so eligible: *Provided*, That any employee de-
17 siring not to be so insured shall, on an appropriate form to
18 be prescribed by the Commission, give written notice to his
19 employing office that he desires not to be insured. If such
20 notice is received before the employee shall have become in-
21 sured under such policy, he shall not be so insured; if it is
22 received after he shall have become insured, his insurance
23 under the policy will cease effective with the end of the pay
24 period during which the notice is received by the employing
25 office.

1 (b) For each period in which an employee is insured
2 under a policy of insurance purchased by the Commission as
3 authorized in section 7 of this Act, there shall be contributed
4 from the respective appropriation or fund which is used for
5 payment of his salary, wage, or other compensation (or, in
6 the case of an elected official, from such appropriation or fund
7 as may be available for payment of other salaries of the same
8 office or establishment) a sum computed at a rate determined
9 by the Commission, but not to exceed one-half the amount
10 withheld from the employee under this section.

11 (c) The sums withheld from employees under sub-
12 section (a) and the sums contributed from appropriations
13 and funds under subsection (b) shall be deposited in the
14 Treasury of the United States to the credit of a fund which
15 is hereby created. Said fund is hereby made available with-
16 out fiscal year limitation for premium payments under any
17 insurance policy or policies purchased as authorized in sections
18 7 and 10 of this Act, and for any expenses incurred by the
19 Commission in the administration of this Act within such limi-
20 tations as may be specified annually in appropriation acts:
21 *Provided*, That appropriations available to the Commission
22 for salaries and expenses for the fiscal year 1955 shall be
23 available on a reimbursable basis for necessary administrative
24 expenses of carrying out the purposes of this Act until said
25 fund shall be sufficient to provide therefor. The income

1 derived from any dividends or premium rate adjustments
2 received from insurers shall constitute a part of said fund.

3 SEC. 6. Each policy purchased under this Act shall
4 contain a provision, in terms approved by the Commission,
5 to the effect that any insurance thereunder on any employee
6 shall cease upon his separation from the service or twelve
7 months after discontinuance of his salary payments, which-
8 ever first occurs, subject to a provision which shall be con-
9 tained in the policy for temporary extension of coverage and
10 for conversion to an individual policy of life insurance under
11 conditions approved by the Commission, except that if upon
12 such date as the insurance would otherwise cease the em-
13 ployee (a) retires on an immediate annuity, and (b) unless
14 retired for disability, has had fifteen years of creditable
15 civilian service, as determined by the Commission, his life
16 insurance only may, under conditions determined by the
17 Commission, be continued without cost to him in the amounts
18 for which he would have been insured from time to time had
19 his salary payments continued at the same rate as on the
20 date of cessation.

21 SEC. 7. (a) The Commission is authorized, without re-
22 gard to section 3709 of the Revised Statutes as amended, to
23 purchase from one or more life insurance companies, as deter-
24 mined by it, a policy or policies of group life and accidental
25 death and dismemberment insurance to provide the benefits

1 specified in this Act: *Provided*, That any such company must
2 meet the following requirements: (1) Be licensed under the
3 laws of forty-eight of the States of the United States and the
4 District of Columbia to transact life and accidental death and
5 dismemberment insurance, and (2) the amount of its em-
6 ployee group life insurance on the most recent December 31
7 for which information is available to the Commission shall on
8 that date equal at least 1 per centum of the total amount of
9 employee group life insurance in the United States in all life
10 insurance companies.

11 (b) The life insurance company or companies issuing
12 such policy or policies shall establish an administrative office
13 under a name to be approved by the Commission.

14 (c) The Commission shall arrange with the life insur-
15 ance company or companies issuing any policy or policies
16 purchased under this Act to reinsure, under conditions ap-
17 proved by it, portions of the total amount of insurance under
18 the policy or policies, determined as provided in subsection
19 (d) of this section, with such other life insurance companies
20 as may elect to participate in such reinsurance.

21 (d) The Commission shall determine a formula so that
22 the amount of insurance in force to be retained by each issuing
23 company after ceding reinsurance and the total amount of
24 reinsurance ceded to each reinsuring company shall be in

1 proportion to the total amount of each such company's group
2 life insurance in force in the United States on December 31,
3 1953: *Provided*, That in determining such proportions, that
4 portion of any company's group life insurance in force on
5 December 31, 1953, which is in excess of \$100,000,000 shall
6 be reduced by 25 per centum of the first \$100,000,000 of
7 such excess, 50 per centum of the second \$100,000,000 of
8 such excess, 75 per centum of the third \$100,000,000 of
9 such excess, and 95 per centum of any excess thereafter:
10 *Provided further*, That the amount retained by or ceded to
11 any company shall not exceed 25 per centum of the amount
12 of that company's total life insurance in force in the United
13 States on December 31, 1953: *Provided further*, That if,
14 at the end of one year following the date of enactment of
15 this Act, in the case of any issuing company or reinsurer
16 which insured employees of the Federal Government on De-
17 cember 31, 1953, under policies issued to an association of
18 Federal employees, the amount which results from the ap-
19 plication of this formula is less than the decrease, if any,
20 in the amount of such company's insurance under such poli-
21 cies, the amount allocated to such company shall, upon the
22 first reallocation as provided in subsection (e) of this sec-
23 tion, be increased to the amount of such decrease: *And pro-*
24 *vided further*, That any fraternal benefit association which

1 is licensed under the laws of a State of the United States
2 or the District of Columbia to transact life insurance and is
3 engaged in issuing insurance certificates on the lives of
4 employees of the Federal Government exclusively shall be
5 eligible to act as a reinsuring company and may be allocated
6 an amount of reinsurance equal to 25 per centum of its
7 total life insurance in force on employees of the Federal
8 Government on December 31, 1953.

9 (e) The companies eligible to participate as rein-
10 surers, and the amount of insurance under the policy or
11 policies to be allocated to each issuing company or reinsurer
12 may be redetermined by the Commission for and in advance
13 of any policy year after the first, on a basis consistent with
14 subsections (c) and (d) of this section, with any modifica-
15 tions thereof it deems appropriate to carry out the intent
16 of such subsections, and based on each participating com-
17 pany's group life insurance in force, excluding that under
18 any policy or policies purchased under this Act except in the
19 case of companies covered in the third proviso of subsection
20 (d), in the United States on the most recent December 31
21 for which information is available to it, and shall be so
22 redetermined in a similar manner not less often than every
23 three years or at any time that any participating company
24 withdraws from participation.

1 (f) The Commission may at any time discontinue any
2 policy or policies it has purchased from any insurance
3 company.

4 SEC. 8. (a) Each policy or policies purchased under this
5 Act shall include, for the first policy year, basic tables of
6 premium rates as follows:

7 (1) For group life insurance, a schedule of basic pre-
8 mium rates by age which the Commission shall have de-
9 termined on a basis consistent with the lowest schedule of
10 basic premium rates generally charged for new group life
11 insurance policies issued to large employers, this schedule of
12 basic premium rates by age to be applied, except as other-
13 wise provided in this section, to the distribution by age of
14 the amounts of group life insurance under the policy at its
15 date of issue to determine an average basic premium rate
16 per \$1,000 of life insurance, and

17 (2) For group accidental death and dismemberment
18 insurance, a basic premium rate which the Commission shall
19 have determined on a basis consistent with the lowest rate
20 generally charged for new group accidental death and dis-
21 memberment insurance policies issued to large employers.

22 Each policy so purchased shall also include provisions
23 whereby the basic rates of premium determined for the first
24 policy year shall be continued for subsequent policy years,
25 except that they may be readjusted for any subsequent year,

1 based on the experience under the policy, such readjustment
2 to be made by the insurance company or companies issuing
3 the policy on a basis determined by the Commission in ad-
4 vance of such year to be consistent with the general prac-
5 tice of life insurance companies under policies of group life
6 and group accidental death and dismemberment insurance
7 issued to large employers.

8 (b) Each policy so purchased shall include a provision
9 that, in the event the Commission determines that ascertain-
10 ing the actual age distribution of the amounts of group life
11 insurance in force at the date of issue of the policy or at
12 the end of the first or any subsequent year of insurance
13 thereunder would not be possible except at a disproportio-
14 nately high expense, it may approve the determination of a
15 tentative average group life premium rate, for the first or
16 any subsequent policy year, in lieu of using the actual age
17 distribution. Such tentative average premium rate shall be
18 redetermined by the Commission during any policy year
19 upon request by the insurance company or companies issuing
20 the policy, if experience indicates that the assumptions made
21 in determining the tentative average premium rate for that
22 policy year were incorrect.

23 (c) Each policy so purchased shall contain a provision
24 stipulating the maximum expense and risk charges for the
25 first policy year, which charges shall have been determined

1 by the Commission on a basis consistent with the general
2 level of such charges made by life insurance companies under
3 policies of group life and accidental death and dismember-
4 ment insurance issued to large employers. Such maximum
5 charges shall be continued from year to year, except that
6 the Commission may redetermine such maximum charges
7 for any year either by agreement with the insurance com-
8 pany or companies issuing the policy or upon written notice
9 given by it to such companies at least one year in advance of
10 the beginning of the year for which such redetermined maxi-
11 mum charges will be effective.

12 (d) Each such policy shall provide for an accounting
13 to the Commission not later than ninety days after the end
14 of each policy year, which shall set forth, in a form approved
15 by the Commission, (1) the amounts of premiums actually
16 accrued under the policy from its date of issue to the end of
17 such policy year, (2) the total of all mortality and other
18 claim charges incurred for that period, and (3) the amounts
19 of the insurers' expense and risk charges for that period.
20 Any excess of the total of item (1) over the sum of items
21 (2) and (3) shall be held by the insurance company or
22 companies issuing the policy as a special contingency reserve
23 to be used by such insurance company or companies for

1 charges under such policy only, such reserve to bear interest
2 at a rate to be determined in advance of each policy year by
3 the insurance company or companies issuing the policy,
4 which rate shall be approved by the Commission as being
5 consistent with the rates generally used by such company or
6 companies for similar funds held under other group life in-
7 surance policies: *Provided*, That, if and when the Commis-
8 sion determines that such special contingency reserve has
9 attained an amount estimated by it to make satisfactory pro-
10 vision for adverse fluctuations in future charges under the
11 policy, any further such excess shall be deposited in the
12 Treasury of the United States to the credit of the fund. If
13 and when such policy is discontinued, and if after all charges
14 have been made, there is any positive balance remaining
15 in such special contingency reserve, such balance shall be
16 deposited in the Treasury of the United States to the credit
17 of the fund, subject to the right of the insurance company
18 or companies issuing the policy to make such deposit in
19 equal monthly installments over a period of not more than
20 two years.

21 SEC. 9. The Commission shall arrange to have each
22 employee insured under such policy receive a certifi-
23 cate setting forth the benefits to which the employee is

1 entitled thereunder, to whom such benefits shall be payable,
2 to whom claims should be submitted, and summarizing the
3 provisions of the policy principally affecting the employee.
4 Such certificate shall be in lieu of the certificate
5 which the insurance company or companies would otherwise
6 be required to issue.

7 SEC. 10. (a) The Commission is authorized to arrange
8 with any nonprofit association of Federal employees for
9 the assumption by the fund of any existing life insurance
10 agreements of such association with its members retired or
11 otherwise separated from the Federal service and to insure
12 the obligations assumed with any company or companies
13 meeting the requirements of section 7 (a).

14 (b) Any such arrangement shall provide that payments
15 by such insured members for life insurance only shall there-
16 after be made at the same rates to the fund, under such con-
17 ditions as the Commission may prescribe.

18 (c) Any such arrangement shall further provide that
19 there be transferred to and deposited in the fund the lesser of
20 the following amounts:

21 (1) The total assets of the life insurance fund of
22 such association; or

23 (2) The amount required to meet the liabilities
24 under life insurance agreements assumed, taking into ac-
25 count the payments as provided in paragraph (b). The

1 determination of this amount shall be based on an ac-
2 tuarial valuation satisfactory to the Commission, pro-
3 cured by the association without expense to the
4 Commission.

5 (d) The arrangements authorized by this section shall be
6 made only with those associations which terminate life insur-
7 ance agreements with all of their members within one year
8 after the date of enactment of this Act, and such arrange-
9 ments shall apply only to life insurance granted to any mem-
10 ber by any such association before January 1, 1954.

11 (e) In any case in which the fund assumes a lia-
12 bility for life insurance as provided in this section in
13 respect to a person who (1) subsequently becomes eli-
14 gible to be insured as an employee under this Act, and
15 (2) does not give notice, as provided in section 5 (a),
16 of his desire not to be so insured, the life insurance pro-
17 vided under this section shall terminate as of the date
18 such person becomes insured as an employee.

19 SEC. 11. Except as otherwise provided herein, the Com-
20 mission is hereby authorized to promulgate such regulations
21 as may be necessary and proper to give effect to the intent,
22 purposes, and provisions of this Act.

23 SEC. 12. (a) There is hereby established an Advisory
24 Council on Group Insurance consisting of the Secretary of the
25 Treasury as Chairman, the Secretary of Labor, and the Direc-

1 tor of the Bureau of the Budget, who shall serve without
2 additional compensation. The Council shall meet once a
3 year, or oftener at the call of the Commission, and shall re-
4 view the operations of this Act and advise the Commission
5 on matters of policy relating to its activities thereunder.

6 (b) The Chairman of the Commission shall appoint a
7 committee composed of five employees insured under this Act,
8 who shall serve without compensation, to advise the Commis-
9 sion regarding matters of concern to employees under this
10 Act.

11 SEC. 13. The Commission shall report annually to Con-
12 gress upon the operation of this Act.

13 SEC. 14. The district courts of the United States shall
14 have original jurisdiction, concurrent with the Court of
15 Claims, of any civil action or claim against the United States
16 founded upon this Act.

17 SEC. 15. The insurance provided by this Act and the
18 withholdings and contributions for that purpose shall become
19 effective when directed by the Commission.

Passed the Senate July 8 (legislative day, July 2), 1954.

Attest: J. MARK TRICE,
Secretary.

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Committed to the Committee of the Whole House on the State of the Union and ordered to be printed